

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS &
SUPPLEMENTAL INFORMATION**

June 30, 2009

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

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GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

OFFICIALS
Year Ended June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenneth Mutch	Trustee	May 2013
Dennis Brubaker	Trustee	May 2014
Harold Dole	Trustee	May 2011
Jeff Carson	Utilities Manager/Secretary	Indefinite
Mary Harken	A & S Manager/Treasurer	Indefinite

Independent Auditor's Report

To the Board of Trustees
Grundy Center Municipal Utilities

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Grundy Center Municipal Utilities as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Grundy Center Municipal Utilities' management. My responsibility is to express an opinion on these financial statements based on my audit. The municipal utilities are a component unit of the City of Grundy Center, Iowa. The City is audited separately.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

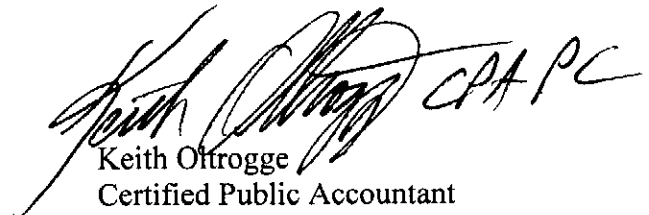
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the Grundy Center Municipal Utilities as of and for the year ended June 30, 2009, and its indebtedness at June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 12, 2009 on my consideration of the Grundy Center Municipal Utilities' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 6 and 17 through 18 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those cash basis financial statements. The supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

 CPA PC
Keith Ottrogge
Certified Public Accountant

October 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy Center Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the Utilities' business type activities decreased 4%, or approximately \$190,000 from fiscal 2008 to fiscal 2009.
- Disbursements increased 2%, or approximately \$104,000, in fiscal 2009 from fiscal 2008.
- The Utilities' total cash basis net assets increased 3%, or approximately \$204,000 from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Enterprise Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Enterprise Fund financial statements report the Utilities' operations in detail.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year.

Other Supplementary Information provides detailed information about each Enterprise Fund.

Basis of Accounting

The Utilities maintain their financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

Proprietary funds account for the Utilities' Enterprise Funds. Enterprise Funds are used to report business type activities. The Utilities maintain seven Enterprise Funds to provide separate information for the water, sewer and communications funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Utilities' cash balance increased from a year ago, increasing from \$7.387 million to \$7.591 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets

	Year Ended June 30,		
	2009	2008	2007
Receipts and Transfers:			
Program Receipts:			
Charges for service	\$ 4,284,193	\$ 4,300,174	\$ 3,089,239
General receipts:			
Unrestricted investment earnings	198,891	310,868	344,002
Other general receipts	287,959	350,432	320,922
Total Receipts	\$ 4,771,043	\$ 4,961,474	\$ 3,754,163
Disbursements	\$ 4,566,690	\$ 4,462,499	\$ 3,375,761
Increase in cash basis net assets	\$ 204,353	\$ 498,975	\$ 378,402
Cash basis net assets beginning of year	7,386,821	6,887,846	6,509,444
Cash Basis Net Assets End of Year	\$ 7,591,174	\$ 7,386,821	\$ 6,887,846

The Utilities' total receipts decreased 4%, or approximately \$190,000. The total cost of all programs and services increased approximately \$104,000, or 2% with no new programs or services added this year. The decrease in receipts was the result of a decrease in investment income. The increase in disbursements was primarily due to an increase in wages and benefits.

INDIVIDUAL BUSINESS TYPE FUND ANALYSIS

The Operating Maintenance Fund cash balance decreased \$39,742 to \$2,987,055, due to the transfer of \$300,000 to the Improvement Fund.

The Improvement Fund cash balance increased \$109,932 to \$2,465,395 due to the \$300,000 transfer from the Operating and Maintenance Fund.

BUDGETARY HIGHLIGHTS

The Utilities' receipts were \$884,443 more than budgeted. This was primarily due to the Utility receiving more in charges for service than anticipated.

Total disbursements were \$3,335,910 less than budgeted. This was primarily due to the Utility delaying equipment and improvement purchases.

DEBT ADMINISTRATION

At June 30, 2009, the Utilities had \$1,215,000 in long-term debt, compared to approximately \$1,450,000 last year, as shown below.

	<u>Outstanding Debt at Year-End</u>			
	June 30,			
	2009	2008	2007	2006
Revenue notes	\$1,215,000	1,450,000	\$1,680,000	\$1,900,000

Debt decreased as a result of regular payments on the notes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Grundy Center Municipal Utilities' appointed officials and management considered many factors when setting the fiscal year 2010 budget and fees charged for various services. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2009.

These indicators were taken into account when adopting the budget for fiscal year 2010. Receipts are expected to decrease approximately 12% and disbursements are expected to remain steady. Increased wage and cost-of-living adjustments and increases in operations and maintenance cost represent the largest increases of disbursements. The Utility has added no new services to the 2010 budget.

If these estimates are realized, the Utilities' budgeted cash balance is expected to decrease approximately \$3,800,000 by the close of 2010.

CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Harken, 706 6th Street, Box 307, Grundy Center IA 50638.

FINANCIAL STATEMENTS

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
Year Ended June 30, 2009

		<u>Program Receipts</u>	
		Charges	
	Disbursements	Services	Miscellaneous
Functions/Programs:			
Business Type Activities:			
Operating and Maintenance Account	\$ 3,329,332	\$ 3,416,229	\$ 148,435
Sinking Fund Account	311,986	-	-
Improvement Account	400	-	53,570
Power Source Account	18,129	-	30,143
Consumers' Deposit Account	3,557	-	3,798
Reserve Account	-	-	2,041
Communications Account	903,286	867,964	248,863
Total	<u>\$ 4,566,690</u>	<u>\$ 4,284,193</u>	<u>\$ 486,850</u>

Change in cash basis net assets

Cash basis net assets beginning of year

Cash Basis Net Assets End of Year

Cash Basis Net Assets:

Restricted:

Debt service

Unrestricted

Total Cash Basis Net Assets

See notes to financial statements.

Net (Disbursements) Receipts
and Changes in Cash Basis
Net Assets

\$ 235,332
-311,986
53,170
12,014
241
2,041
213,541

\$ 204,353

\$ 204,353
7,386,821

\$ 7,591,174

\$ 1,215,000
6,376,174

\$ 7,591,174

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
ENTERPRISE FUNDS
As of and For the Year Ended June 30, 2009

	O & M	Sinking	Improvement
Operating Receipts:			
Charges for service	\$ 3,416,229	\$ -	\$ -
Miscellaneous	53,448	-	-
Total Operating Receipts	\$ 3,469,677	\$ -	\$ -
Operating Disbursements:			
Business type activities	\$ 3,329,332	\$ 311,986	\$ 400
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 140,345	\$ -311,986	\$ -400
Non-Operating Receipts (Disbursements):			
Transfers in	\$ 25,000	\$ 311,986	\$ 300,000
Interest on investments	94,987	-	53,570
Total Non-Operating Receipts (Disbursements)	\$ 119,987	\$ 311,986	\$ 353,570
Excess of receipts over disbursements	\$ 260,332	\$ -	\$ 353,170
Operating transfers out	-300,074	-	-243,238
Net change in cash balances	\$ -39,742	\$ -	\$ 109,932
Cash balances beginning of year	3,026,797	-	2,355,463
Cash Balances End of Year	\$ 2,987,055	\$ -	\$ 2,465,395
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ 865,000
Unreserved	2,987,055	-	1,600,395
Total Cash Basis Fund Balances	\$ 2,987,055	\$ -	\$ 2,465,395

See notes to financial statements.

Power Source	Consumers' Deposits	Reserve	Communi- cations	Total
\$ -	\$ -	\$ -	\$ 867,964	\$ 4,284,193
-	3,439	-	231,072	287,959
\$ -	\$ 3,439	\$ -	\$ 1,099,036	\$ 4,572,152
<hr/>				
\$ 18,129	\$ 3,557	\$ -	\$ 903,286	\$ 4,566,690
<hr/>				
\$ -18,129	\$ -118	\$ -	\$ 195,750	\$ 5,462
<hr/>				
\$ -	\$ -	\$ -	\$ 74	\$ 637,060
30,143	359	2,041	17,791	198,891
\$ 30,143	\$ 359	\$ 2,041	\$ 17,865	\$ 835,951
<hr/>				
\$ 12,014	\$ 241	\$ 2,041	\$ 213,615	\$ 841,413
-	-	-	-93,748	-637,060
<hr/>				
\$ 12,014	\$ 241	\$ 2,041	\$ 119,867	\$ 204,353
817,254	37,984	229,012	920,311	7,386,821
<hr/>				
\$ 829,268	\$ 38,225	\$ 231,053	\$ 1,040,178	\$ 7,591,174
<hr/>				
\$ -	\$ -	\$ -	\$ 350,000	\$ 1,215,000
829,268	38,225	231,053	690,178	6,376,174
<hr/>				
\$ 829,268	\$ 38,225	\$ 231,053	\$ 1,040,178	\$ 7,591,174
<hr/>				

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS –
PROPRIETARY FUNDS
As of and For the Year Ended June 30, 2009

Total Enterprise Funds Cash Balances (page 9)	<u>\$ 7,591,174</u>
Cash Basis Net Assets of Business Type Activities (page 8)	<u>\$ 7,591,174</u>
Net Change in Cash Balances (page 9)	<u>\$ 204,353</u>
Change in Cash Balance of Business Type Activities (page 8)	<u>\$ 204,353</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Grundy Center Municipal Utilities is a city municipal utility for the City of Grundy Center, Iowa. It has a separate governing body, the Board of Trustees, who are appointed for staggered six-year terms by the Mayor and approved by the City Council. The Department maintains its own system of books, records and accounts apart from the City. The City is audited separately.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the Utilities. For the most part, the effect of inter-fund activity has been removed from this statement. Business type activities, which rely to a significant extent on fees and charges for services are reported separately.

The Statement of Activities and Net Assets presents the Utilities' non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements-Separate financial statements are provided for the proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

The Department reports the following major proprietary funds:

Operating and Maintenance Account – The Operating and Maintenance Account is the general operating account. All user fees and other receipts that are not allocated to some other account are recorded in this account. Items paid from this account include general operating expenses, fixed charges and capital improvement costs that are not paid through other accounts.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sinking Fund Account – The Sinking Fund Account records the payment of interest and principal on the Department's long-term debt.

Improvement Account – This account is for purchases of major capital improvements.

Power Source Account – The Power Source Account is established to accumulate funds to secure an interest in available power from another supply source for future needs of the City.

Consumers' Deposit Account – The Consumers' Deposit Account is utilized to account for consumer deposits received and refunded.

Reserve Account – The purpose of this account is to retain cash reserves for debt service. It is a backup to the Sinking Fund Account, thus ensuring payment of long-term debt.

Communications Account – The Department offers internet, cable TV and telecommunications service to utility customers that desire it. This account was established to record user fees received and operating expenses and capital improvements costs incurred.

C. Measurement Focus and Basis of Accounting

The Grundy Center Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the Department are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and the results of operations of the Enterprise Fund in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 – CASH AND POOLED INVESTMENTS

The Department's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Department's investments at June 30, 2009 are as follows:

Certificates of Deposit	Date Matures	Cost	Fair Value
Grundy National Bank	12-11-09	\$ 600,000	\$ 600,000
Grundy National Bank	7-16-09	500,000	500,000
Grundy National Bank	1-4-10	500,000	500,000
Grundy National Bank	7-1-10	500,000	500,000
Grundy National Bank	3-19-10	500,000	500,000
Grundy National Bank	9-18-09	500,000	500,000
Grundy National Bank	9-18-09	500,000	500,000
Grundy National Bank	3-19-10	500,000	500,000
Grundy National Bank	7-16-09	500,000	500,000
Liberty Bank	7-1-09	500,000	500,000
		<u>\$ 5,100,000</u>	<u>\$ 5,100,000</u>

Interest rates on the above CDs range from 1.42% to 4.01%

Securities	Date Matures	Carrying Amount	Fair Value
North Iowa Municipal Electric Cooperative	Indefinite	<u>\$ 120,000</u>	<u>\$ 120,000</u>

In addition, the Department had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$324,906 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The Department's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. The Department requests bids before it makes an investment.

Credit risk – The Department's investment in the Iowa Public Agency Investment Trust is un-rated.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

<u>Year Ending June 30.</u>	Revenue Notes	
	Principal	Interest
2010	\$ 250,000	\$ 65,043
2011	265,000	52,092
2012	275,000	38,215
2013	295,000	23,695
2014	65,000	7,963
2015	65,000	3,998
Total	<u>\$ 1,215,000</u>	<u>\$ 191,006</u>

The Electric Revenue Capital Loan Notes and the Telecommunications Revenue Capital Loan Notes are not general obligation notes, nor are they payable in any manner by taxation. They are payable solely and only from the net earnings of the utilities' receipts. The bank holds first lien on the future net revenues of the system. The City of Grundy Center is not liable by reason of the failure of the net revenues to be sufficient for the payment of the notes.

The Electric Revenue Capital Loan Notes are composed of 511 individual notes of \$5,000 each. Interest payments are made semi-annually and principal payments are made yearly.

The Telecommunications Revenue Capital Loan Notes are composed of 140 individual notes of \$5,000 each. Interest payments are made semi-annually and principal payments are made yearly.

NOTE 4 – OTHER OBLIGATIONS

The Communications Fund owes the Operating and Maintenance Fund \$600,000. Interest of \$2,954.81 per month is being paid. The interest rate is 5%. The principal paid during the current fiscal year was \$25,000.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 – PENSION AND RETIREMENT BENEFITS

The Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines IA 50306-9117.

Plan members are required to contribute 4.10% of their annual salary, and the Department is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2009 and 2008 were \$29,116 and \$29,136, respectively, equal to the required contributions for each year.

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Department until used or paid. The Department's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the operating and management account, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 15,160
Sick leave	7,503
Total	<u>\$ 22,663</u>

This liability has been computed based on rates of pay as of June 30, 2009.

NOTE 7 – OTHER INVESTMENTS

The Department is a member of the North Iowa Municipal Electric Cooperative Association (NIMECA), which uses Corn Belt Power Cooperative of Humboldt, Iowa as a power supply source. NIMECA's desire is to obtain long-term transmission and generation of electric power from a common transmission system to benefit the member utilities. The Department has the following investments with NIMECA and Corn Belt:

- a. In 1983, NIMECA required a cash member advance from the Department in the amount of \$120,000. The cash advance earns interest and surplus and credits from NIMECA. During the year, the Department's member advance investment account was closed and added to the Department's production and transmission capital improvement investment account.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 7 – OTHER INVESTMENTS (continued)

- b. In 1991, the Department entered into an agreement for the “lease/purchase” from Corn Belt of an interest in electrical generation and transmission facilities. On July 10, 1991, \$1,634,480 was paid to Corn Belt for a .3333% interest in the Neal #4 generating plant and a .4% interest in the Lehigh-Webster transmission facilities. The lease ended June 30, 2007. A new lease was signed August 25, 2009.

Production and transmission capital improvement funds have been established through NIMECA for improvements and expansion of the facilities. The Department paid \$83,208 into these funds as part of its cash disbursements for purchased power during the current year.

The Department’s share of the funds accrued interest earnings for the current year amounted to \$34,848. This accrual is not reflected in the current year’s cash basis receipts.

The balance in the production and transmission capital improvement funds at June 30, 2009 is \$1,209,820.

- c. The Department also has accumulated deferred patronage dividends of \$43,999 through its participation with NIMECA and Corn Belt. These accrued deferred patronage dividends are not reflected in the current year’s cash basis receipts. During the current fiscal year, Corn Belt paid no deferred patronage dividends to the Department.

NOTE 8 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Department assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – RELATED PARTY TRANSACTIONS

The City of Grundy Center pays the Department monthly fees for electricity and telephone. During the current fiscal year, the City of Grundy Center paid \$89,925.

NOTE 10 – CONTINGENCIES

Accounts receivable totaling \$182,127 from the Department utility customers is currently due. \$160,950, or 88%, of that total is over ninety days past due.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 11 – INTERFUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
Sinking Fund	Improvement Fund	\$ 243,238
Sinking Fund	Communications Fund	68,748
		<u>\$ 311,986</u>
O & M Fund	Communications Fund	\$ 74
O & M Fund	Improvement Fund	300,000
Communications Fund	O & M Fund	25,000
		<u>\$ 325,074</u>
Total		<u>\$ 637,060</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 12 – COMMITMENTS

The Department committed to give the Grundy Center Development Corporation \$25,000 per year for the next three years during year 2007. The second installment was paid during the current fiscal year.

The Department has committed to give the City of Grundy Center \$75,000 per year for two years for the aquatic center. The first payment was made in June 2008 and the second payment was made in August 2008.

NOTE 13 – NOTE RECEIVABLE

On November 13, 2008, the Department entered into an agreement with the Grundy Center Development Corporation for a \$100,000 interest free loan for the development of a new addition to the City of Grundy Center. The loan will be repaid at the rate of \$5,000 per lot as they are sold.

REQUIRED SUPPLEMENTARY INFORMATION

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

COMPARISON OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
ACTUAL TO BUDGET – ENTERPRISE FUND
Year Ended June 30, 2009

	Actual	Budget	Variance Favorable (Unfavorable)	Net as % of Budget
Receipts:				
Charges for service	\$ 4,284,193	\$ 3,600,000	\$ 684,193	19%
Other income	486,850	286,600	200,250	70%
Total Receipts	<u>\$ 4,771,043</u>	<u>\$ 3,886,600</u>	<u>\$ 884,443</u>	<u>23%</u>
Disbursements:				
Electric and Telecommunications	<u>\$ 4,566,690</u>	<u>\$ 7,902,600</u>	<u>\$ 3,335,910</u>	<u>42%</u>
Excess of receipts over disbursements	\$ 204,353			
Balance beginning of year	<u>7,386,821</u>			
Balance End of Year	<u>\$ 7,591,174</u>			

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2009

In accordance with the Code of Iowa, the Grundy Center City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

OTHER SUPPLEMENTAL INFORMATION

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2009 and 2008

	2009	2008
Receipts:		
Charges for Service:		
Sale of Electricity:		
Residential	\$ 1,659,897	\$ 1,669,403
Commercial	757,904	810,688
Total Electrical Receipts	<u>\$ 2,417,801</u>	<u>\$ 2,480,091</u>
Miscellaneous:		
Water collection	\$ 504,390	\$ 471,059
Garbage collection	188,519	181,414
Sewer rental collection	190,695	187,745
Sales tax	114,824	119,760
Interest received	94,987	104,451
Miscellaneous receipts	53,448	56,612
Total Miscellaneous Receipts	<u>\$ 1,146,863</u>	<u>\$ 1,121,041</u>
Total Receipts	<u>\$ 3,564,664</u>	<u>\$ 3,601,132</u>
Collections Transferred to City:		
Water	\$ 504,366	\$ 471,059
Garbage	188,519	181,414
Sewer rental	190,713	187,961
Meter rent	1,631	2,194
Sales tax	39,910	38,988
Local option tax	19,709	19,463
Sales tax paid to State	48,250	55,296
	<u>\$ 993,098</u>	<u>\$ 956,375</u>
Net Receipts From Operations	<u>\$ 2,571,566</u>	<u>\$ 2,644,757</u>
Disbursements:		
Electric:		
Administration:		
Salaries:		
Superintendent	\$ 85,595	\$ 71,825
Trustees' fees	1,800	1,800
	<u>\$ 87,395</u>	<u>\$ 73,625</u>
Employee Benefits:		
FICA/Medicare	\$ 27,331	\$ 24,887
IPERS	22,656	20,601

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2009 and 2008

	2009	2008
Disbursements: (continued)		
Electric: (continued)		
Administration: (continued)		
Employee Benefits: (continued)		
Group insurance and claims	\$ 157,045	\$ 132,159
Year's benefit	1,720	1,595
Uniform expense	2,894	3,114
	<u>\$ 211,646</u>	<u>\$ 182,356</u>
Regulatory Commission:		
Fees and supplies	\$ 3,742	\$ 5,083
PCB	4,943	4,250
	<u>\$ 8,685</u>	<u>\$ 9,333</u>
Vehicle Expense:		
Gasoline and oil	\$ 9,524	\$ 11,158
Repairs and supplies	23,551	15,637
	<u>\$ 33,075</u>	<u>\$ 26,795</u>
Other Expenditures:		
Insurance	\$ 43,031	\$ 44,674
Telephone	6,396	2,993
Legal fees	895	397
Audit fee	2,075	2,075
Travel and training	3,902	973
Use tax	6,209	2,780
Dues	4,657	3,668
Publications	969	1,026
Investment and banking fees	455	471
Office maintenance and supplies	4,261	960
Miscellaneous	37,643	32,325
	<u>\$ 110,493</u>	<u>\$ 92,342</u>
Capital Outlay:		
Structure and improvements	\$ 128	\$ -
Office equipment	7,202	7,429
Tools, shop and garage equipment	5,577	4,682
Miscellaneous equipment	29,912	1,833
Transportation equipment	467	1,862
	<u>\$ 43,286</u>	<u>\$ 15,806</u>
Total Administration	<u>\$ 494,580</u>	<u>\$ 400,257</u>
Purchased power	<u>\$ 1,158,995</u>	<u>\$ 1,238,400</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT

Years Ended June 30, 2009 and 2008

	2009	2008
Disbursements: (continued)		
Electric: (continued)		
Generation:		
Salaries:		
Operators	\$ 2,675	\$ 309
Plant maintenance	37,659	36,105
	<u>\$ 40,334</u>	<u>\$ 36,414</u>
Other Expenditures:		
Plant maintenance – material	\$ 1,738	\$ 3,175
Fuel and oil	26,254	-
Supplies	34,652	200
	<u>\$ 62,644</u>	<u>\$ 3,375</u>
 Total Generation	 <u>\$ 102,978</u>	 <u>\$ 39,789</u>
 Distribution:		
Line labor	\$ 168,617	\$ 153,415
Other Expenditures:		
Supplies	\$ 703	\$ 2,166
Street lighting and signal maintenance	2,233	1,665
	<u>\$ 2,936</u>	<u>\$ 3,831</u>
Consumer Accounts Expense:		
Meter reading-labor	\$ 8,785	\$ 7,091
Accounting and collection-labor	81,376	69,552
Supplies and postage	21,083	16,039
Returned checks	5,755	5,707
Miscellaneous	854	283
	<u>\$ 117,853</u>	<u>\$ 98,672</u>
Capital Outlay:		
Overhead conductors and devices	\$ 13,899	\$ 17,935
Underground conductors and conduit	40,499	35,211
Transformers	14,114	36,887
Distribution structures	6,898	11,986
Meters	9,540	7,243
Street lights	1,943	3,980
Special projects	203,382	101,604
	<u>\$ 290,275</u>	<u>\$ 214,846</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2009 and 2008

	2009	2008
Disbursements: (continued)		
Total Distribution	\$ 579,681	\$ 470,764
Total Expenses	\$ 2,336,234	\$ 2,149,210
Excess of receipts over disbursements	\$ 235,332	\$ 495,547
Other Financing Sources (Uses):		
Transfer out	\$ -275,074	\$ 74,930
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -39,742	\$ 570,477
Balance beginning of year	3,026,797	2,456,320
Balance End of Year	\$ 2,987,055	\$ 3,026,797

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
SINKING FUND ACCOUNT

Years Ended June 30, 2009 and 2008

	2009	2008
Receipts	\$ -	\$ -
Disbursements:		
Electric:		
Electric Revenue Capital Loan Notes:		
Principal payments	\$ 190,000	\$ 185,000
Interest payments	53,238	62,210
	\$ 243,238	\$ 247,210
Telecommunications:		
Telecommunications Revenue Capital Loan Notes:		
Principal payments	\$ 45,000	\$ 45,000
Interest payments	23,748	26,358
	\$ 68,748	\$ 71,358
Total Disbursements	\$ 311,986	\$ 318,568
Excess (deficiency) of receipts over (under) disbursements	\$ -311,986	\$ -318,568
Other Financing Sources (Uses):		
Transfer from Improvement Fund Account	\$ 243,238	\$ 247,210
Transfer from Communications Fund Account	68,748	71,358
	\$ 311,986	\$ 318,568
Excess of receipts and other financing sources over disbursements and other financing uses	\$ -	\$ -
Balance beginning of year	-	-
Balance End of Year	\$ -	\$ -

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
IMPROVEMENT ACCOUNT

Years Ended June 30, 2009 and 2008

	2009	2008
Receipts:		
Interest	\$ 53,570	\$ 120,239
Disbursements:		
Electric	\$ 400	\$ 400
Excess of receipts over disbursements	\$ 53,170	\$ 119,839
Other Financing Sources (Uses):		
Transfer to Sinking Fund Account	\$ -243,238	\$ -247,210
Transfer from O & M Fund Account	300,000	-
	\$ 56,762	\$ -247,210
Excess (deficiency) of receipts and other financing sources over (under)		
disbursements and other financing uses	\$ 109,932	\$ -127,371
Balance beginning of year	2,355,463	2,482,834
Balance End of Year	\$ 2,465,395	\$ 2,355,463

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
POWER SOURCE ACCOUNT
Years Ended June 30, 2009 and 2008

	2009	2008
Receipts:		
Interest	\$ 30,143	\$ 40,581
Disbursements:		
Electric	\$ -	\$ -
Capital Outlay		
Special Projects	18,129	49,795
Total Disbursements	\$ 18,129	\$ 49,795
Excess (deficiency) of receipts over (under) disbursements	\$ 12,014	\$ -9,214
Balance beginning of year	817,254	826,468
Balance End of Year	\$ 829,268	\$ 817,254

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
CONSUMERS' DEPOSIT ACCOUNT
Years Ended June 30, 2009 and 2008

	2009	2008
Receipts:		
Consumers' deposits	\$ 3,160	\$ 4,323
Interest	359	490
Miscellaneous	279	-
Total Receipts	<u>\$ 3,798</u>	<u>\$ 4,813</u>
Disbursements:		
Electric:		
Consumers' deposit refunds	\$ 3,102	\$ 3,193
Interest paid on consumers' deposits	36	31
Office supplies	419	-
Total Disbursements	<u>\$ 3,557</u>	<u>\$ 3,224</u>
Excess of receipts over disbursements	\$ 241	\$ 1,589
Balance beginning of year	<u>37,984</u>	<u>36,395</u>
Balance End of Year	<u>\$ 38,225</u>	<u>\$ 37,984</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
RESERVE ACCOUNT
Years Ended June 30, 2009 and 2008

	2009	2008
Receipts:		
Interest	\$ 2,041	\$ 7,665
Disbursements:		
Electric	\$ -	\$ -
Excess of receipts over disbursements	\$ 2,041	\$ 7,665
Balance beginning of year	229,012	221,347
Balance End of Year	\$ 231,053	\$ 229,012

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
COMMUNICATIONS ACCOUNT
Years Ended June 30, 2009 and 2008

	2009	2008
Receipts:		
Miscellaneous	\$ 211,956	\$ 289,497
Interest	17,791	37,442
Internet fees	285,631	263,214
Cable TV fees	291,900	272,231
Telephone fees	290,433	304,764
Tax	19,116	19,896
Total Receipts	<u>\$ 1,116,827</u>	<u>\$ 1,187,044</u>
Disbursements:		
Telecommunications:		
Internet/phone/cable charges	\$ 630,150	\$ 724,587
Wages	101,724	132,129
Supplies	46,023	15,424
Franchise fee	8,167	7,641
Interest paid	29,687	31,875
Telephone	3,355	4,736
Payroll taxes and benefits	13,901	17,975
Equipment	16,755	-
Miscellaneous	741	2,217
Sales and other taxes paid	19,571	20,500
E911 fees	12,082	12,342
Casual labor	163	-
Dues	2,404	382
Audit	1,650	1,650
Trustees' compensation	755	-
Professional fees	1,800	1,800
Insurance	4,211	4,979
Repairs and maintenance	1,763	204
Travel	8,384	6,486
Total Disbursements	<u>\$ 903,286</u>	<u>\$ 984,927</u>
Excess of receipts over disbursements	<u>\$ 213,541</u>	<u>\$ 202,117</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
COMMUNICATIONS ACCOUNT
Years Ended June 30, 2009 and 2008

	2009	2008
Other Financing Sources (Uses):		
Transfer from O & M Fund Account	\$ 74	\$ -
Transfer to Sinking Fund Account	-68,748	-71,358
Transfer to O & M Fund Account	-25,000	-74,930
Total Other Financing Sources (Uses)	<u>\$ -93,674</u>	<u>\$ -146,288</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 119,867	\$ 55,829
Balance beginning of year	920,311	864,482
Balance End of Year	<u>\$ 1,040,178</u>	<u>\$ 920,311</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2009

Obligation

Electric Revenue Capital Loan Notes:

Date of Issue	July 1, 1998
Interest Rate	4.20-5.15%
Amount originally issued	<u>\$ 2,555,000</u>
Balance beginning of year	\$ 1,055,000
Issued during year	-
Redeemed during year	<u>-190,000</u>
Balance End of Year	<u>\$ 865,000</u>
Interest Paid	<u>\$ 53,238</u>
Interest Due and Unpaid	<u>\$ -</u>

Telecommunications Revenue Capital Loan Notes:

Date of Issue	Mar 1, 2000
Interest rate	5.00-6.15%
Amount originally issued	<u>\$ 700,000</u>
Balance beginning of year	\$ 395,000
Issued during year	-
Redeemed during year	<u>-45,000</u>
Balance End of Year	<u>\$ 350,000</u>
Interest Paid	<u>\$ 23,748</u>
Interest Due and Unpaid	<u>\$ -</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

BOND AND NOTE MATURITIES
June 30, 2009

Revenue Notes		
Electric		
Issued July 1, 1998		
Year Ending June 30,	Interest Rates	Amount
2010	5.00%	200,000
2011	5.05%	210,000
2012	5.10%	220,000
2013	5.15%	235,000
Total		<u>\$ 865,000</u>

Revenue Notes		
Telecommunications		
Issued March 1, 2000		
Year Ending June 30,	Interest Rates	Amount
2010	5.90%	50,000
2011	5.95%	55,000
2012	6.00%	55,000
2013	6.05%	60,000
2014	6.10%	65,000
2015	6.15%	65,000
Total		<u>\$ 350,000</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION-
ALL GOVERNMENTAL FUNDS
For the Last Six Years

	2009	2008	2007
Receipts:			
Interest	\$ 198,891	\$ 310,868	\$ 344,002
Transfers in	636,986	393,638	653,710
Charges for service	4,284,193	4,300,174	3,089,239
Miscellaneous	287,959	350,432	320,922
Total	<u>\$ 5,408,029</u>	<u>\$ 5,355,112</u>	<u>\$ 4,407,873</u>
Disbursements:			
Operating:			
Business type activities	<u>\$ 5,203,676</u>	<u>\$ 4,856,137</u>	<u>\$ 4,029,471</u>
Total	<u>\$ 5,203,676</u>	<u>\$ 4,856,137</u>	<u>\$ 4,029,471</u>

See accompanying independent auditor's report.

2006	2005	2004
\$ 202,617	\$ 129,291	\$ 92,107
314,592	319,271	813,226
3,237,371	2,848,242	2,763,910
377,161	582,723	1,183,392
<u>\$ 4,131,741</u>	<u>\$ 3,879,527</u>	<u>\$ 4,852,635</u>
<u>\$ 3,521,320</u>	<u>\$ 3,530,492</u>	<u>\$ 3,660,283</u>
<u>\$ 3,521,320</u>	<u>\$ 3,530,492</u>	<u>\$ 3,660,283</u>

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

Grundy Center Municipal Utilities
Grundy Center, Iowa

To the Board of Trustees:

In planning and performing my audit of the financial statements of the business-type activities, of Grundy Center Municipal Utilities as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, I considered Grundy Center Municipal Utilities' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grundy Center Municipal Utilities' internal control. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Municipal Utilities' internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control that I consider to be a significant deficiency and that I consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Grundy Center Municipal Utilities' internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items 09-I-A and 09-I-B are material weaknesses.

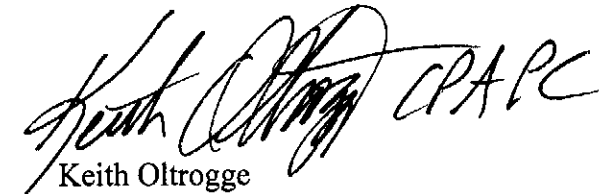
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Department's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Department. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved, except for item 09-II-G.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Grundy Center Municipal Utilities and other parties to whom the Grundy Center Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Department during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

October 12, 2009

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

09-I-A Segregation of Duties-One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation-I realize that with a limited number of office employees, segregation of duties is difficult. However, the Department should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response-We will continue to monitor this.

Conclusion-Response acknowledged. The Department should continue to segregate duties to the extent possible with existing personnel and utilize the Board of Trustees to provide additional control through review of financial transactions and reports.

09-I-B Preparation of Full Disclosure Financial Statements-Internal control over financial reporting include actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The Department does not have internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most small governmental and nonprofit entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation-I recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, I recommend that the Department continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response-We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion-Response acknowledged.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

- 09-II-A Official Depositories-A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year ending June 30, 2009.
- 09-II-B Certified Budget-Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- 09-II-C Questionable Disbursements-I noted no disbursements that would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 09-II-D Travel Expense-No disbursements of Department money for travel expenses of spouses of Department officials were noted.
- 09-II-E Business Transactions- No business transactions between the Department and Department officials or employees are reported.
- 09-II-F Bond Coverage-Surety bond coverage of Department officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 09-II-G Board Minutes-No transactions were found that I believe should have been approved in the Board minutes but were not.
- The minutes did not include the purpose of the expenditure, a total for the expenditures from each fund, and a summary of all receipts. Also, salaries were not published.
- Recommendation-The Department should publish minutes and salaries as required.
- Response-We will publish minutes and salaries as required.
- Conclusion-Response accepted.
- 09-II-H Deposits and Investments-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Department's investment policy were noted.
- 09-II-I Revenue Bonds and Notes-The Department has complied with the revenue bond and note resolutions.
- 09-II-J Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.